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Agricultural credit...

London

1894

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No 1

# VILLAGE BANKS

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OR

AGRICULTURAL CREDIT SOCIETIES

FOR SMALL OCCUPIERS, VILLAGE TRADESMEN, ETC.

HOW TO START THEM

HOW TO WORK THEM

WHAT THE RICH MAY DO TO HELP THEM

WITH

MODEL RULES

AND MODEL ACCOUNT SHEETS ADDED

BY

HENRY W. WOLFF

*Author of 'People's Banks,' 'Agricultural Banks,' etc.*

London:

P. S. KING & SON,

12 AND 14 KING STREET, WESTMINSTER

PRICE SIXPENCE

1894

*Fuller information on the same subject will be found in the following Books and Magazine Articles written by the same author :*

PEOPLE'S BANKS.

A Record of Social and Economic Success. Longmans.  
7s. 6d.

AGRICULTURAL BANKS.

Their Object and their Work. Agricultural Banks  
Association, 7 and 8 Palace Chambers, Westminster. 1s.

CREDIT CO-OPERATION IN GERMANY.

*Economic Review*, October, 1892.

PEOPLE'S BANKS FOR ENGLAND.

*Economic Review*, October, 1893.

OUR VILLAGE BANK.

*Westminster Review*, May, 1894

CO-OPERATIVE CREDIT.

*Economic Review*, July, 1894.

PEOPLE'S BANKS.

*New Ireland Review*, August, 1894.

THE POOR MAN'S COW.

*National Review*, October, 1894.

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Apr 23, 1919 Jms

## PREFACE

THE idea of co-operative credit has made way in this country very much more rapidly than any one could have anticipated or hoped when, two years ago, I first ventured to appear as its humble spokesman in our periodical press. Since then, an Association numbering very influential men among its members, has been formed for the special purpose of stimulating the formation of Agricultural Credit Banks in England; and in Ireland the IRISH AGRICULTURAL ORGANISATION SOCIETY has constituted itself a declared champion of the principle. One Village Bank has actually been started in Lincolnshire, and very probably before these sheets have passed through the press one or two more will have taken their places as pioneer banks by its side.

In view of this satisfactory progress I have more than once been asked to supplement the short RULES and MEMORANDUM which I drew up some time ago for the use of the AGRICULTURAL BANKS ASSOCIATION by RULES a little fuller and entering more into detail, and also by some practical suggestions which might serve as guide to those who wish to start and to conduct Agricultural Credit Banks, or—as I prefer to call them, so far as they are intended for the use of small occupiers, village tradesmen and persons of a similar condition—VILLAGE BANKS.

It is in answer to these appeals that the present pamphlet has been written and is now issued. I venture to hope that for the purpose indicated it will be found useful and sufficient. The present Rules, though considerably fuller, do not differ

by one jot in principle from those which the AGRICULTURAL BANKS ASSOCIATION has, on my proposal, adopted as its own.

I have once more, as in the former cases, to thank the Chief Registrar of Friendly Societies for help very kindly given in their preparation.

But I would warn those who intend to form Banks, that the Rules by themselves are not sufficient for the purpose—more particularly in this country, in which an adverse law compels us to leave out of the written Rules a great deal which is essential to success, and which is at the same time perfectly lawful, though we must not put it into the Rules. Those who wish to work a Bank well will have to learn something about the principle upon which it is founded, which principle, fortunately, is not very difficult to master. The suggestions here offered will supply some help towards understanding it. For fuller information I refer to other literature indicated, and, if that should prove insufficient, within the limits of the time at my disposal I shall always be happy to supply more personally, and, in fact, to do anything which may lead to our acclimatising in these islands an institution which long and close familiarity with its results, in almost every country in which it has found a home, leads me to regard as full of promise of great material and social benefit to our labouring classes and, indeed, to the community at large.

12 PARK PLACE, ST JAMES'S PLACE, S.W.

H. W. W.

## HOW TO START A VILLAGE BANK

THE first thing to be done is to ascertain if within a reasonable length of time there is likely to be in the district demand for credit such as the Bank is set up to dispense, and sufficient business to support a Village Bank. It is not absolutely necessary that there should be an *immediate* prospect of such results. The advantages which the Bank offers, once they come to be generally understood, may be relied upon in due course to attract adherents; and, in the worst case, if the Bank should have to be closed again, an experimental start ought not to involve any serious loss. It is impossible to lay down precise Rules as to what constitutes a likelihood of success. The question is one for local people to settle, who know their own district. Generally speaking, it may be laid down that where there are a fair number of small occupiers, and where rural tradesmen do not possess rather ample capital, there circumstances indicate room for a Village Bank.

The best district for a Village Bank to work in is a parish. If the population of any one parish should appear too small, and one or two other parishes, situated pretty close together, can be made to join for common work under circumstances which make inter-parochial intercourse easy, there it may be advisable to group such two or three parishes together for the formation of a Bank. The one point to be kept in view is this, that the Bank is dependent for its success upon a continual touch maintained among its members, who must be near enough to be able without excessive sacrifice of time to attend meetings, without much trouble to keep informed upon what is being done by the Bank, and without any appearance of offensive prying or undue interference to exercise a checking and stimulating influence upon one another. For wider co-operation the Bank may afterwards associate itself with other Banks. Within its own sphere it has only its own resources and the efficiency of its own safeguards to rely upon.

For a beginning it is not necessary that the number of members should be very large. There are very strong and prosperous Village Banks abroad which have begun with as few as a dozen members.

Altogether, the success of such a Bank depends far more upon the *quality* and the *hearty co-operation* of its members, than upon their *number*. Members want to know that they can trust one another. Accordingly, when it is proposed to start a Bank, the movers in the enterprise should not invite people wholesale to join, say, by advertisement or by summoning a public meeting, but should quietly look out for half-a-dozen or more who seem well qualified, talk the matter over privately with them, and by such means create a nucleus, to which others may be trusted in due course to apply for admission. It should be the *candidates who apply*, not the Bank which invites. There must be absolutely no touting.

The Bank is intended for the comparatively poor, to whom credit is by other means not easily accessible. Therefore the Bank should make the conditions of admission, in respect of financial qualifications, as easy as is at all possible. There need be neither shares nor entrance-fees. And the Bank should set up its establishment in the cheapest, though it should be the most modest and unpretentious, manner possible—in a room, if possible, the use of which may be had for nothing, and keeping down all expenses to the lowest point. But it is not desirable, generally speaking, that members of the Bank should be exclusively what are called 'poor' men. The more different classes are brought together, helping, and encouraging, and stimulating one another, the better is the Bank likely to thrive, and the truer will it prove to its object—provided that no sort of distinction be made between rich and poor, and all members meet, *as members*, on a footing of equality, with equal rights and equal liabilities. The wealthier members will bring to the common stock the credit accorded to their more ample possessions, and at the same time as a rule the useful qualification of greater familiarity with business. So long as they run no risk of loss—which in a good Bank there ought not to be—there is nothing in such support which one is not perfectly entitled to ask of them. The Bank does not, and ought not to, ask the wealthy to *give*, either money or money's worth; by their *gifts* would do more harm than good. They would demoralise the borrowers. What the Bank asks the wealthy to do is, to *help the poor to help themselves*. How

they may do this will be shown in a separate chapter. Abroad no work that the Banks have done has been more fruitful of good results than such assistance to self-help. It has proved singularly effective in drawing classes together, in establishing confidence and kind feeling between them and in making them all understand that at bottom their interests are the same.

Having decided to establish a Bank and secured a first batch of members, the leaders of the movement will do well to ask those members, and all others who may thereafter join, to sign their names in a book, in order to be able to verify signatures which may afterwards be put to bonds and declarations of suretyship. This may as well as not be done in a book kept for the purpose, with a declaration put at its head to the effect that those who sign their names are willing to submit to all Rules and resolutions adopted by the Society. Such declaration is not legally necessary. Members are as fully bound by their act of becoming members. But the signature affixed to the statement may bring home to them more impressively the duties undertaken.

Under our law, in the generality of cases, the next step to be taken will be, to secure *guarantees* for a sufficient sum of money with which to begin business. As our law stands, a Society such as the Village Bank is intended to be is not entitled to receive on deposit more than two-thirds of the sum which it actually lends out. That is to make sure that the Society has some property of its own, as a security for its solvency. However, that, as it happens, is the very thing which Village Banks of the type here spoken of, in their original and purest conception, as institutions open to the very poor, desire to avoid. They do not *require* any property of their own at starting. They are to raise money by pledging the joint liability of men known to be honest, and checking carefully and rigorously the employment of loans which they grant. That is the foundation upon which they are built up. In the course of time they are to raise up property of their own, by accumulating a reserve fund out of the business which they do. There are banks abroad which, having begun with nothing at all, now possess reserve funds of £1,500, of £2,000 and even of more so collected. But at the outset they would rather be without property, so as to have to tax no one who joins them.

However, the law must, of course, be complied with in some way. There are several ways open to Banks for doing so. They may, if they like, collect an entrance fee from members



newly joining. That will help to procure for them some small funds towards first expenses. It will, moreover, help to keep members, once they have joined, in the Bank, inasmuch as entrance fees must on no account be made returnable in case of resignation. And nobody likes sacrificing money which he has already paid, without absolute need. But entrance fees are not by any means necessary. They are not taken elsewhere, where such Banks have been established. And they will not help the Bank sufficiently for the object in view, since in any case they will have to be small, and therefore are not likely to make up in themselves the third of the amount of loans granted which is wanted.

Again, Village Banks may demand from members newly joining that they shall take up a share each. Herr Raiffeisen did not approve of shares. They are absolutely unnecessary on the score of security. Village Banks in Germany had quite as good credit without shares as they now have with them, since the government of the country has forced shares upon them. The Italian and French Village Banks do without shares to the present day. Yet Italian Banks, being from five to ten years old, have now on an average £832 of loans outstanding, raised from savings banks and other public institutions on the security of their liability only, without any share capital whatever. The particular objection to shares is, that they constitute a tax upon poorer members, the very members whom the Bank is formed to help and to whom admission is to be made easy. Shares, no doubt, are legitimate. But if they are issued, it is all-important that they should be issued on the understanding that no one member should have a larger holding in them than another, and that they are to carry no dividend. A dividend must mean self-interest. People who draw dividends at all will soon wish to draw large ones. However, large dividends necessarily mean a heavier interest on loans, and the particular object for which the Bank is established is to make borrowing *cheap*. On other grounds it has been found not only most considerate to the poor, but moreover the best policy, to keep out of the Bank every prospect of individual gain, which would as a matter of course set one member's interest at variance with another's. The gain to be got out of the Bank is to be got *outside* its operations, with the help of the money which it has made available. *Inside* the Bank the only gain allowable is the advantage of being able at all times to borrow at cheap rates for legitimate purposes. Therefore,

to begin on the right principle, dividends on shares must be strictly forbidden, once for all. And, moreover, naturally, the shares will have to be small, or they will constitute a tax. Once more, therefore, the means suggested for raising funds will not suffice to meet the requirements of the law in respect of the third of the loan-money to be provided out of the Bank's own means.

Accordingly, there seems nothing for it but to proceed in the manner already suggested and to provide for an equivalent of money, which is for the purpose under consideration allowed by the law to rank as equal to money, and which may at once, upon any need arising, be converted into money, in the shape of a guarantee. That will at the same time provide the Bank with funds for beginning business upon, while awaiting the inflow of deposits. Such guarantee must, in any case, be dealt with as a loan, not as a gift. The Bank will have opportunities of working it off and should make it its object to do so by degrees.

Unfortunately, the law does not allow us to say anything about guarantees in the Rules, except that they are permissible. Whatever has to be said about them will accordingly have to be said in these suggestions.

The guarantee should, if possible, be given in the shape of an open drawing account at an ordinary Bank, of which a number of men judged sufficiently substantial guarantee each a definite portion. One guarantor is sufficient. But the more guarantors there are, the better prospect is there of the guarantee being dealt with in the proper way, inasmuch as a number of men are more likely to insist upon compliance with rules laid down for their protection than one. And it is most important that members of a Bank should be taught to be prompt and scrupulous in their repayments, and careful in keeping their common business safe. It will be advisable that the Bank be made to pay interest on all money which it draws for its own use from the sum guaranteed. Guarantors may, if they choose, stretch a point in favour of the Bank in exacting a lower interest than is usual, but even that is not strictly necessary. The Savings Bank of Lyons helps Village Banks by lending to them at the rate of 2 per cent. The National Savings Bank of Belgium and the local governments of Austrian provinces lend to Village Banks at the fixed rate of 3 per cent.—the Austrian provincial governments for two years only. But in Prussia Village Banks which have had to

pay the ordinary interest of 4 per cent have done very well and proved able to pay off the loan in comparatively short time.

It is indicated in the Rules that guarantors—who may be members or outsiders—shall, by the very fact of giving a guarantee, acquire a *right* to become members. That is essential in their interest. It is to assure to them the power of obtaining full knowledge in respect of the employment given to their guarantee. *Guarantors ought to be as well secured as is at all possible*. For the first risk in the Bank is theirs, and if the Bank should come to grief in its earliest stages, it is in all probability they who will have to bear the main loss.

Once the system of co-operative banking becomes better known and more developed in this country, we shall probably see individual Banks federating themselves into larger unions and establishing by their joint support a Central Bank. One of the offices which such Central Bank might well be called upon to undertake would be, to act as guarantor for Banks newly formed.

The guarantee being obtained, the Bank will be in a position to begin business. It will accordingly have formally to constitute itself by agreeing upon Rules, handing them in for approval to the Chief Registrar of Friendly Societies, secure a registered office, which had best be the treasurer's house or some other convenient place obtainable without cost, outside which a plain board inscribed with the name of the Society will have to be put up, and thereupon elect its officers and governing bodies. Whatever modifications of the model Rules here suggested be decided upon to meet peculiar local requirements, will have to be *embodied in the Rules* and submitted for official approval to the Chief Registrar. Bye-laws are, for very sufficient reasons, not favoured by the authorities.

The most important of the governing bodies to be elected is the *Committee*, which ought to consist of either five or else seven members. Five is sufficient. It is a mistake to make the Committee too large, but it should be fully representative of its constituency. The members of the Committee should in every case be called upon to give their services *gratuitously* and be allowed to draw neither salary nor fee, commission, or anything of the sort, though of course they will be entitled to receive back money out of pocket spent in the service of the Society. It is usual abroad to give a fair representation, alike on this and on the other governing body of the Society, to the wealthier members, who have, as a rule, most leisure

for the work required, who bear practically the heaviest liability, and who are generally most conversant with business. This can not be put down in the Rules, because the Bank knows of no distinction whatever between member and member. It is, however, to the interest of the Bank that the richer men should be in it, to secure it a better credit, and, if they are not allowed means of satisfying themselves how the business of the Bank is being carried on, and an adequate voice in its affairs, they are likely to protect themselves by withdrawing, which is a course open to all members.

Certainly the Committee ought to be composed of men whom the members generally feel that they can trust, and who are in a position to maintain, between them, pretty close touch with all the different groups, elements or interests of which the Bank is made up. This applies especially to districts with a scattered population. Under such circumstances it has been found a useful practice to elect upon the Committee members from the different sub-districts. All this will make business easier for the Committee, and save postponements of decisions for the purpose of inquiry, in respect of the granting of loans.

Apart from the Committee the Bank will have to elect a checking and auditing body, which in the Rules is called the *Council*. This body constitutes a very essential factor in the working of the Bank. Wherever things have gone at all wrong in Village Banks they have done so through carelessness in the election of the Council, or negligence in its discharge of its duties. Its office is, to audit the accounts of the Bank once every three months, and to inquire into the condition of loans granted and the employment given to those loans, so as to keep the Bank safe and prevent loss.

Abroad the Council consists of either six or nine members, according to the size of the District. It is always larger than the Committee. There is much to be said for this. The Council has the interests of the Bank in its keeping, and, as the Auditor of a very large and well administered Credit Association in England has put it—'you cannot square six or nine members, though you may square two or three.' However, where Banks are small, it may be sufficient at the outset to appoint only a small Council, or even merely two or three auditors, invested with power to exercise all the functions specifically appropriated to the Council.

Wherever there are guarantors it is desirable that these

should be represented alike upon the Council and upon the Committee.

Under the Act every Bank is required to appoint one *Trustee* or more. The Trustee or Trustees will have to be a person or persons in whose integrity members can repose absolute confidence. If there is one, he had best be the Chairman of the Committee; if there are more, it will be well to elect them from among the members of the Committee, or of the Committee and the Council, though this is not absolutely necessary.

There will have to be a *Secretary*, to carry on the correspondence, take down the minutes, etc., and there will have to be a Cashier, whom the Act requires us to style, more pretentiously, '*Treasurer*.' The two offices had best be discharged by one and the same person—the local schoolmaster, or some one else conversant with penwork and likely to be generally accessible for current business. The Treasurer is the *only* person in the Bank allowed to draw any remuneration. It ought to take the shape of a fixed and very moderate stipend. The Bank cannot afford a large one, and payment by commission has proved dangerous. In the first period of the Bank it is to be hoped that in most places a Treasurer will be found to do his work gratuitously. Neither the Secretary nor the Treasurer may be members of either of the governing bodies, and therefore these officers will have no voice whatever in the disposal of Society moneys.

If members decide to raise a special Expenses Fund by contributions, they should make the contributions to that fund leviable without distinction upon all. Even so, the practice is not to be commended. It burdens those who do not borrow for the benefit of those who do. *In no case* should a fund for defraying current expenses be raised by contributions from the wealthier members or outsiders. That would be introducing the principle of *patronage*, which is altogether incompatible with self-help.

The Bank will have to manage its business so as to make the margin between money raised at as low a rate of interest as it can bargain for, and money lent out at a rather higher rate, cover all the expenses of administration. For this reason it cannot—otherwise than provisionally and tentatively—fix beforehand the rates of interest to be allowed upon deposits and to be charged upon loans. Those rates are dependent upon the actual amount of business done. In

Germany a margin of  $1\frac{1}{2}$  per cent. is generally found sufficient, in some cases less. In England it will be better to begin with a margin of 2 per cent.

It is a great mistake to fix the interest on loans too low at the outset. The Bank must in any case be made self-supporting. The current rate in Loan Societies, Self-help Societies, etc., though ostensibly only  $6\frac{1}{2}$  per cent., is really  $12\frac{1}{2}$  per cent., because the principal is repaid by weekly instalments spread over forty weeks. Therefore at the end of twenty weeks half the principal is repaid; but the interest continues to be levied on the whole. In addition, such Societies exact commissions or contributions towards an Expenses Fund, which are ignored in charging interest; and the interest actually paid is moreover deducted in advance. Village Banks will at the outset rarely be able to lend at less than 6 per cent. As their position improves, they will be able to reduce this charge to 5, and very probably to 4 per cent.

The Bank will, it is to be hoped, be able to secure the use, free of charge, of some convenient room for its General Meetings. In Italy the *Municipio*, or Meeting House of the Parish Council, is everywhere gladly placed at the disposal of Banks. In some cases even the church. It will not be amiss to hang up in this room, or in the Treasurer's office, a list giving the names of members who have joined. Good names are pretty sure alike to inspire confidence and to attract new members.

The first period of the Bank will be its most trying time. Once the system is understood and people have got into the habit of borrowing and depositing, the work is likely to go on smoothly enough. At first members may be shy to borrow. The Committee, furthermore, may not at once know whom to trust with money. There may also at first be some difficulty on the score of security. All these things may be trusted soon to get into the proper groove, especially with a guaranteed credit for the Bank to fall back upon. In cases of loss at the outset, not attributable to negligence, probably the guarantors would not object to indemnify the Bank.

With regard to the second point, although people may at first be shy to go bond for one another, the experience of our 'Self-help Societies' and other kindred associations warrants the expectation that they will soon become used to so convenient a system. People soon learn whom to trust and whom not, more especially among a selected body such as these

Banks are intended to have for members. In the earliest period the Bank will have to secure itself as best it can. However, *personal credit* is the credit which suits its constitution best, which it is, in fact, established to propagate, and to which it will have to endeavour to accustom its members, all the more since for the majority of them, who have nothing to pledge, no other form of credit will be practicable.

*As a rule*, it is not advisable to allow rich people to act as sureties for poor. It is apt to weaken the sense of responsibility in the borrower and to hinder the development of personal credit as a matter of 'character' rather than 'security.' At the outset, however, things will have to be done as they can. It is not necessary that the sureties should be members of the Bank, but they ought to be known as 'good.'

Banks will have to be very strict from the outset in binding borrowers to observe the rules laid down with regard to prompt payment of interest and principal, and employment of their loans according to the terms agreed upon. More will be said about this in the succeeding chapter 'How to work a Village Bank,' also upon the methods to be followed with a view to attracting borrowed money, that is, deposits and savings, upon the receipt of which the Bank is in a large measure dependent for its supply of funds.

The *book-keeping* ought to be exact but as simple as possible. Some suggestions on the point will be found in the subsequent chapter already referred to, where they appear to be more in place.

In conclusion it may be said that a Village Bank will do very much better to start on too strict lines than on too lax ones. It is very easy to put a new Bank on the wrong tack, which may, just as easily, lead it into mischief. The precautions recommended may to some one or other appear a little excessive. Experience has shown them all to be useful and desirable. The foundation of success in a Village Bank, it ought to be remembered, is not an ample command of money, but the *effective quickening of a sense of responsibility* in members, and the creation, by sound practice and vigilant control, of good, trustworthy security, which never fails to command as much money as there may be need of.

## WHAT THE RICH MAY DO TO HELP A VILLAGE BANK

By 'rich' people are meant people who are not likely to require credit from the Bank for their own convenience. There are probably many such who are willing to give their help to so useful an institution. But as a rule they offer to give it in the wrong way, that is, in the shape of money rather than of personal service, and by gifts, which are apt to make members careless and improvident, when the object should be to make them careful and saving, and so to defeat the very object for which the Bank is formed.

In respect of Village Banks or Credit Societies gifts are generally to be avoided. They can scarcely fail to weaken the sense of responsibility and are apt to end in 'light come, light go.' They are permissible only in one or other of the following shapes:

1. A small gift towards the expenses of starting a Bank is allowable, though it ought not to be necessary. However, Banks meeting such expenses out of their own means cannot help saddling themselves with a loss at the outset, which they may, as a rule, very quickly work off, but which is apt to frighten the inexperienced. Such help as is here referred to is sometimes given abroad, with good results.

2. Again, under circumstances it may be permissible to give a sum of money towards the Reserve Fund. But that likewise ought not to be made a general practice and is, indeed, allowable only subject to the observance of proper and very strict provisions, guarding as effectively as is possible against abuse in the employment of such gifts.

It is in no wise advisable that the wealthier members of a Bank, or outsiders, should subscribe towards an 'Expenses Fund' for the Bank. That would be a subsidy and mean patronage. The Bank must be taught to look to its own resources for its requirements and to provide for them by keeping down expenses and fixing the rates of interest according to its need.

Nor can the wealthy be allowed to take up a larger number of shares than their neighbours. That would be, practically, a gift; because it would place money at the disposal of people for which all are not in the same measure responsible. The practice is open to other, very serious, objections, which experience has shown to be by no means illusory. The cardinal principle of the Bank is equality, alike in administration and in liability.

However, rich men may help a Bank effectively by guaranteeing it a credit at a banker's. They ought, however, when doing so, to insist that in any case the guarantee shall be treated as a loan, and to secure themselves in this respect as adequately as they can. There is no objection to their standing out even for an absolute right of veto on loans to be lent out by the Bank, while their guarantee lasts. And it ought to be laid down that the credit must be reduced as the reserve increases. In their own interest guarantors will also have to reserve to themselves a right of withdrawing the guarantee by due notice.

Again, rich men may help a Bank by paying in deposits. That will attract other depositors.

If it should be found that poorer people hang back from borrowing, prompted by a very honourable sense of false shame, rich men may, like some of their brethren abroad, render very valuable service in teaching these people that there is no disgrace in borrowing for proper purposes, which they may do by borrowing themselves, though it be only *pro formâ*.

The best help which they can give is by becoming members themselves, by taking upon themselves their share of common liability and so helping the poorer, who by themselves would not command adequate credit, to obtain such, by taking their share of the work, bringing their experience and knowledge of business to the administration, and setting a good example. The risk which they will thereby incur is very small, for they can watch over the transactions of the Bank, oppose risky enterprises, and in the worst case escape from further liability by resignation.

By this service, however, they will be rendering to their poorer neighbours the best help which can be rendered, for they will **help these men to help themselves.**

## HOW TO WORK A VILLAGE BANK

A GOOD deal of what would fitly find a place in this chapter has been already said under the first head. Members of a Village Bank will best learn 'How to work it,' if they will keep clearly in view the objects which it is formed to serve. The objects of a Village Bank are primarily these:

Firstly, and mainly, it is to provide money for the use of members, for employment in enterprises which promise either a profit or an economy; and secondly, and incidentally, it is to benefit those members generally by educating them to habits of business and thrift, teaching them to act in common, and instilling into them principles which will make them better men. The same methods, as it happens, are serviceable alike for both ends.

If the Village Bank is to provide money for the use of its members—and it is to serve absolutely *no one else*—it will first have to attract such money to its own counter. The only means at its disposal for doing so is, to offer good security to such persons as may have cash to deposit.

Towards this end, no doubt, the membership of what are ordinarily called 'substantial' men will help not a little, at any rate at the outset. And it is altogether to the interest of the Bank that there should be such among its members. But in the long run the most appreciated security is sure to be found to consist in the established good character of the members as a body, and the knowledge that their business is conducted on strictly business-like lines; that their money is safely laid out; and that members individually, and the Bank as a whole, are alike scrupulously prompt in their repayments. Such is the teaching of these Banks abroad, wherever they have been established. And such is the teaching of more or less similar establishments in this country. Accordingly, the whole prospect of success of a Village Bank may be said to be summed up in the word 'Security.'

The Bank, then, will, above all things, have to study to make things *safe*. To begin with, it will have to elect its members with care. It is their character which makes business safe and assures a good position to the Bank. Next, the Bank will have to insist rigorously upon prompt repayments. Anything which in other institutions might be considered commendable as kind or liberal leniency, must in its own case mean mischief, because it would weaken the principle upon which the Bank rests. Thirdly, the Bank will have to see that the rules adopted as obligatory upon its members are scrupulously observed. The object in view is to stimulate conscientiousness, above all things, to awaken a keen sense of responsibility and put everybody upon his best behaviour.

By this means the economic service of the Bank will be made to contribute directly to the attainment of its moral and educational aim. People will learn to be business-like, and people will learn to be well-conducted, once this comes to be worth something to them in money and is held to qualify them for membership in an institution which promises its adherents very considerable advantages. And they will be very careful not to forfeit such advantages by misconduct or negligence. That has been the common experience elsewhere.

The business of the Bank is, to borrow money as cheaply as it can, and to lend it out at a slightly increased rate of interest, so as to leave itself in possession of a margin, which margin will suffice to defray its current expenses and by degrees to lay up a fund which, being altogether its own, will help not a little to strengthen its position and increase its utility. From its very first beginning such fund will benefit the Bank in some degree by adding to the security which it has to offer to depositors, and so enable it to borrow on more advantageous terms. And in a later period it may put the Bank in a position to dispense with borrowed money altogether. Of such great importance is the steady accumulation of a Reserve Fund felt to be in good Banks that in Italy, where Village Banks are comparatively young and have a large proportion of poor members, the members—being at the time nearly all of them borrowers—have of their own motion decided in some cases to maintain a rather higher rate of interest upon loans than would be strictly necessary (6 per cent.), purely and simply in order to make the better progress in the accumulation of a Reserve Fund.

Since a margin between lending and borrowing is necessary for the subsistence of the Bank, it is, of course, wholly impossible to fix in advance the rates at which the Bank is either to lend or to borrow. The Bank must have the margin. And according to the rates at which it can itself borrow, and according to the amount of business brought to its tills, it will be enabled to lend more or less cheaply.

The borrowing to be done by the Bank is of two kinds. In the first place the Bank will want to attract *deposits* from persons who have more or less substantial sums to lay by. Considering that in Germany Banks of the description here recommended have been judged safe enough for Law Courts to allow Trust Moneys to be deposited with them, and that in the first Village Bank founded in England a working man at once offered to deposit his £100, holding the Bank to be for his purpose, 'as safe as the Bank of England,' that ought not to be difficult. Deposits may have to be taken, as elsewhere, on call or for fixed periods, with a slight addition to the rate of interest allowed in the latter case.

In the second place, the Bank will wish to collect the *savings* of the poor. This is a most useful, and ought in this country of 2½ per cent Post Office Banks to be a very promising service. Experience abroad has shown that the local Village Bank is in an appreciably better position to stimulate thrift in a rural community than a public Savings Bank. It is on the spot. It is the savers' own. It is administered by men who are the savers' own choice and can therefore be implicitly trusted. It is not a mere brick building with a slot in the wall, and no tongue. It can explain matters to the small savers and give them advice. It keeps the money collected in the parish in its own district, to do good there. And, in conclusion, it can afford to pay a better interest than the Post Office Savings Bank. Accordingly, it is not surprising to find that one of the most appreciated services credited to Village Banks abroad is, that they have effectually diffused and stimulated habits of thrift. There are Village Banks abroad which raise actually all the money which they require for loans by the collection of local savings.

That disposes of one part of the Bank's business. The other—the employment of the money so collected—is a matter of considerably greater difficulty. More will have to be said on this point under the head of the duties of the administering

bodies. Suffice it here to state generally that without exception *no lending should be done which does not appear absolutely safe, and none except for purposes of production promising profit, or of economy.* No employment is permissible which involves risk. No lending is allowable which appears in the least reckless or improvident. Money is not to be offered, but to be conceded, and conceded only, when a *bond fide* good case can be made out.

A few words ought to be said about the *guarantee*, which in our English Village Banks is likely to constitute for some time to come a conspicuous, and it may be an essential, feature. The guarantee which one or more friends of the Bank are asked to give is intended to serve two purposes. In the first place, it is to meet the requirements of the Friendly Societies Act, by creating a fund which will enable the Bank to take deposits. In the second place it is to provide a fund upon which the Bank may draw for any money which it may stand in need of. It ought to be pointed out that the guarantors need not necessarily be one or two rich men. £100 or £200 is the same figure whether guaranteed by one rich man or by fifty small, provided that the latter are considered 'good' enough by the Bank accepting the guarantee for the figure for which they severally make themselves answerable. In its first, purely legal, aspect the guarantee may represent a fund which there will be no occasion to touch. In its second, it will very probably have to be touched, and so far as it is drawn upon, it will be equivalent to a loan made to the Bank, for which the Bank is answerable. The guarantor will have the joint liability of all members, himself included in the same proportion as every other member, for security. If there should be a loss—which contingency should not occur—the Bank ought to make it good. If in the very first period of our Banking, while the whole practice continues an experiment, guarantors should be found prepared to take the risk of a loss upon themselves, up to the amount of their guarantee, that is another matter. That is not business, and, as a general practice it cannot be too strongly deprecated. In an experiment it may be permissible. But even so the guarantors will do well, in the interest of the Bank itself, to make every effort to prevent a loss, to insist upon repayment, and to sacrifice their money only if that really cannot be helped. There is absolutely no reason why money should be lost. It has never

happened abroad in Banks organised as is here recommended. It is assumed that the guarantee will be given in the shape of a guaranteed drawing credit at a bank. It may be that some particular bank may decline to allow drawings at a sufficiently low interest. In that case guarantors can further assist their Village Bank—which ought not to pay dearly for its money—by giving it a cheque every time that money is required, the payment ranking as a deposit or loan, and writing the amount given off their guarantee. There is no reason to apprehend that the number of loans in which this may prove necessary will be large.

As regards *administration*, it must be well understood that the supreme authority and the ultimate responsibility in all things rests with the General Meeting. The more this is impressed upon members, the more every one, though not an office bearer, can be induced to take a personal interest in the affairs of his Bank, the more likely will the latter be to thrive. But, under the General Meeting, for the discharge of the ordinary business, there are, as has already been explained, two distinct governing bodies and a number of officers.

The main work of administration will, of course, fall upon the *Committee*. The constitution of that body has already been spoken of. It is very essential that it should meet as often as there is at all occasion. Nothing is more disappointing to members than to have to wait for their money when they are urgently in need of it, and have a legitimate case to plead. The fortnightly meetings prescribed in the Rules should not be omitted on any consideration. And there may be occasion to meet more frequently. It is impossible to say in the Rules what is to be done in cases of exceptional urgency, such as will sometimes, though not often, occur in a village, when a person for some particular business may require money on the spot. Abroad, in such cases, whenever the applicant was known to be trustworthy and the employment legitimate, the chairman or some other member of the Committee has generally taken upon himself to advance the money on his own responsibility, until the next Committee Meeting, when of course the case must come before the Committee in the ordinary way. This has generally been found a satisfactory way out of the difficulty.

The ordinary business of the Committee consists in the election of Members, the collecting of savings and the granting of

loans. These matters had best be proceeded with in a regular accepted order. Nothing remains to be said on the first two points.

As regards *loans*, the Committee may at first encounter some difficulty, feeling shy to trust people. On the other hand members may be shy to borrow. To get over the latter form of shyness some of the wealthier members may set the example, borrowing *pro forma*. Shyness of the first sort is a fault on the right side. That will rub off in time. Certainly the Committee ought to be very careful in its inquiries, alike as to the propriety of the proposed employment and as to the security, no matter whether that consist of sureties or of something else. Practice will show what is the proper mean to be observed between timidity and confidence.

It is scarcely necessary to say much about the objects which should be counted legitimate. Everything which promises either a saving or a profit is legitimate, provided that the circumstances of the case warrant the enterprise. Speculative purchases do not come under this category. A shoemaker, having a little grass land, would, if he is an honest man, be entitled to borrow money for the purchase of a cow or a pig, just as he would be for the purchase of leather or tools for his trade. But were he to apply for a loan to enable him to buy half-a-dozen beasts in order to re-sell them, his application would probably meet with a refusal. In like manner a small occupier would be readily allowed money for outlay required for the better cultivation of his plot or for greater economy in his household, but not for any speculative purchases of goods. The purchase of raw materials for trade, of a cow, or a pig, or an implement, or else manure, or seed, the building of a shed, or again, the purchase of provisions or household articles for cash instead of on credit, even the paying off of a debt on which high interest is exacted, provided that an income can be shown sufficient to afford moral security for repayment—all these are cases in which loans ought to be allowed to properly qualified persons. And they ought to be allowed, without fear, for the full time required to make them reproduce themselves out of their own employment. To make them repayable before would constitute a hindrance rather than a help, a tax rather than relief.

The Friendly Societies Act limits the borrowing powers of Village Banks to £50 in the case of any one borrower. That

does not mean that a Bank exceeding that limit would incur a penalty. Loan Societies and Self-help Societies habitually exceed their powers in this respect. It is only a question of recovery, in respect of which Village Banks secure themselves in their own way.

However, £50 is probably as much as a Bank will wish to lend to any one person. Indeed, it will be only acting wisely, if, by resolution of the General Meeting, it limits the Committee to an even lower sum for any one borrower, and at the same time sets limits to its aggregate lending, and to the length of time for which it is empowered to lend any sum, on its own authority. That does not mean that larger sums may not absolutely be lent, but merely that in case of such being asked, or of any loan being demanded for a period exceeding the maximum length of time approved, the Committee will have to apply for special authority—should it think the case deserving—either to the Council or to the General Meeting, according as the Rules may prescribe. Members will feel far more secure, especially while the Bank is young, once they know that in no case can the Committee exceed a fixed sum in lending; that, accordingly, to that sum is their collective liability limited. Were the Committee to exceed such limit without authority, the liability for the excess would, as a matter of course, fall entirely upon its members, not upon the members of the Bank generally.

In respect of the security to be exacted, the Committee will do well to bear in mind that the Bank was established to accustom its Members to the use of *personal* security. Sureties are best, because they imply some guarantee of good character. In Italy borrowers are made to sign an acceptance. In Germany a note of hand is judged sufficient. The ordinary rule is two sureties. There are, however, cases in which one surety is held sufficient, and others—more especially when only small amounts are borrowed—in which sureties are altogether dispensed with. This is a matter on which individual Banks will be the best judges in their particular cases. When they realise that the ultimate responsibility is *theirs*, they may be trusted to secure themselves, whatever be their particular method.

Another point to be considered is this: the loan being granted for a certain employment, which employment, in fact, constitutes part of the security given, it is all-important



that the Bank should, through its properly appointed representatives, be able at all times to satisfy itself that the money is being employed as was agreed. Failure to do this should involve withdrawal of the credit; for it amounts to a breach of contract and a withdrawal of part of the security. The borrower will, therefore, have to be made to bind himself, not only to employ the money as was stipulated, but also to produce evidence of such employment whenever he may be called upon to do so. And in the case of a beast bought with money borrowed from the Bank, he ought to be made to insure that beast for a stipulated sum. A form of Bond or Agreement providing for this will be found appended to this pamphlet.

In respect of repayment, the Committee cannot be too strict. It is not well to demand repayments by weekly instalments on the principle generally adopted by Loan Societies and similar bodies. In those institutions such method of repayment is altogether in place. For the loan is as a rule an accommodation loan, intended to help a member, having a regular income of some sort, out of a temporary difficulty. The loan is, in fact, an anticipation of his income, and very often the presumption is against his disposition to thrift and providence, unless he is compelled to it. In the Village Bank, on the other hand, the loan is a matter of business. It is to serve for a productive purpose. It is purposely granted for long enough to answer that purpose. Weekly payments would anticipate its reproduction and tax some other source of income. The system of repayment referred to, moreover, weakens the sense of self-reliance. It deliberately conceals a high rate of interest under the pretence of a low one. In the Village Bank all business ought to be above board and open. Beyond this, if you make a borrower repay at longer intervals, and are strict then in exacting prompt repayment, this will serve as an additional stimulus to him to lay by and save, which is just what you want to bring about. In foreign Village Banks borrowers are found to deposit, voluntarily, freely, and not sparingly, against that payment which has to be met, and to deposit, very often, really more than is required to meet it. Thus they are led to save. Their saving, being a voluntary act, is more likely to lead to a habit than the compulsory repayment under the weekly payment system referred to, and the habit, once acquired, is not likely to be readily discarded.

When the Bank has been long enough at work for payments of interest and repayments of principal to become due, it will be for the Treasurer or Secretary—the two offices are best combined—to prepare before every Committee sitting a list showing what payments fall due on that particular day, in order that the Committee may more easily ascertain how payments are being kept up. Borrowers making default without good cause should be strictly dealt with. Whenever there is good cause for a delay—which will sometimes occur—the Committee will have it in its power to extend the time. Italian banks mercilessly expel members who make default in respect of principal. As a milder method, fines, coupled with publication of the defaulter's name (among members only), have been found effective.

The book-keeping ought to be as simple and intelligible to untrained minds as can be. There will have to be a *Cash Book*, of course. A form of such, useful as giving items under their several heads, will be found at the end of the pamphlet. But if Banks prefer fewer columns and more books, they may please themselves. Then there ought to be a *Ledger*, in which each member opening an account, either as a borrower or as a depositor, should have his proper space. Moreover, every savings depositor should have his own little *Deposit Book* similar to those issued by ordinary Savings Banks. And it will be well to let borrowers have some sort of *Pass Book* to show how their loans and the interest becoming due are being repaid. As business grows more voluminous, it may become advisable to have separate *Registers* severally for *Loans* and *Savings*.

Apart from these account books there will be the various *Minute Books*—for General Meetings, Council Sittings and Committee Sittings—and it will be well to have a *Register of members names and signatures*.

A piece of book-keeping peculiar to the Village Banks, but of considerable practical importance, is the *Fortnightly Balance Sheets*. These ought to be prepared at each ordinary Committee sitting and made accessible to all members and others interested in the Bank, as a means of acquainting them with the exact position of the Bank. Nothing is better calculated to create confidence than such frequent rendering of an account. At the same time the frequent balancing of accounts has been found very effective in stimulating a sense of responsibility, a jealousy for punctuality in payment, and, gener-

ally, good business habits in the Committee. The fortnightly balance sheet ought to give all the totals of interest, alike incomings and outgoings—savings, repayments of loans, deposits, loans granted, etc. Under the head of repayments and interest it ought to show, as in the agenda prepared for the Committee, what payments were *due* as well as what payments have *been made*. It should show to what extent the guarantee fund has been drawn upon, and what amount remains to the Bank's credit. It should show the number of members. And it should show the amount of the accumulated Reserve Fund.

The fortnightly balance sheets should be preserved, of course, as records of the business of the Bank; and at the end of the year the Committee will have to prepare an *Annual Balance Sheet* and *Statement of Accounts* to be laid before the General Meeting, which statements ought to be as full and plain as is possible, showing, more in particular, in clear figures the totals of loans issued in the twelvemonth, and of savings and other deposits received.

The importance of the work allotted to the *Council* has already been pointed out. The Bank looks to its Council to keep it *safe*. A good Council is sure to make a good Bank; a careless Council may wreck it. Those quarterly auditings of accounts in themselves stand for something in the success achieved. They produce a sense of security, and justify it. The periodical overhauling of what the Committee has done likewise makes for security and confidence. So far from weakening the hands of the Committee it directly tends to strengthen them for resistance to questionable demands for loans. With a Council at its back to look into these things it does not become for the Committee a question merely of good-will, whether it will stretch a point in favour of a doubtful application; and the Committee can tell applicants so. The checking of the employment of loans is a far more important matter still. It is not desirable that the task of controlling should be entrusted to the same body which has granted the loan. Moreover, the larger the number of persons whose interest is enlisted in looking after the affairs of the Bank, the better is the Bank likely to prosper. The same duty of control and inquiry extends as a matter of course to the periodical consideration of the value of securities given in respect of the loans. A security may depreciate in value. So may a surety.

In rural lending that does not often happen, because the security is as a rule the character of chosen men; but still the matter must be kept in view.

In places in which members can not very readily be brought together for a General Meeting at short notice, it may be well to entrust some of the functions otherwise reserved for that body to the Council, such, for instance, as deciding, *with* the Committee, on cases of proposed lending beyond the limits authorised for the Committee, acting by itself.

But, generally speaking, it is good policy to provide plenty of business for the body of members. The more every member is made to take an interest in the Bank, the more every member can be brought to realise his direct and personal responsibility for its transactions, the more secure may the foundation of the Bank be said to be. From this point of view it may be perfectly allowable sometimes almost to *create* business for a General Meeting, in order to summon the members together. At the ordinary General Meetings the attendance of every member who has not a good reason for absenting himself should be insisted upon. As a rule, in these Banks there is small occasion to urge members to attend. Their own interest impels them to do so. Moreover, most Banks fix a fine for non-attendance, which can never do harm.

There is not likely to be very much work to do for the Trustee or Trustees, of whose office foreign Village Banks know nothing. There are not, for some time, likely to be investments, and there should be as little loose cash as possible kept in the Bank. Where there is a Post Office Savings Bank within easy reach, it is a good plan to lay it down once for all, that at the close of every Committee Meeting all cash balances shall be deposited with it. Where this is not practicable, a good and trusted Trustee may be useful as commanding more confidence as a keeper of Bank money than the Treasurer, and it may be made a rule that all cash in the Treasurer's hands beyond a certain figure shall be handed over to him.

The Treasurer, it is to be presumed, will, in the generality of cases, be Secretary at the same time. He ought to be get-at-able at all seasons, and a man who seems likely to discharge his duties to some extent as a labour of love. He it is who will, under the control of the Committee and the Council, have to keep the accounts, write the minutes, make out the

bonds, receive applications, etc. He ought to attend all sittings, alike of the Committee and of the Council, and to serve at both as Secretary. He will also, of course, have to act as Secretary at the General Meetings. The more members are made to realise that he has no voice in the granting of loans, that he is merely the executive officer of the governing bodies, the better will it be.

As the Bank grows in strength and numbers, new uses for it are sure to suggest themselves. The first such use is likely to be co-operative supply, above all, for the common purchase of such things as manure, coals, implements, machinery, or similar articles. The Bank itself must not act as Supply Association. It is forbidden to trade. But it may help its members, organised by its side as a supply association, or acting together for the nonce for common purchase, with its money and its credit. Only, it must be distinctly understood that it helps merely as a credit bank, that every loan contracted on this account must first be inquired into and sanctioned by the Committee, and that it remains a money loan, not a credit for goods supplied, a money loan secured and repayable in the usual way.

Next to supply, insurance has proved a very useful collateral service, towards which Village Banks may prove helpful.

Beyond this, there is co-operative production. There are not a few co-operative dairies abroad, doing excellent work, having first been formed with the help of the local Village Banks. The Banks supply the money which is wanted for starting the dairies, and keep the latter going until by means of a growing reserve they have accumulated sufficient money of their own. There are, in the same way, co-operative vintries which yield their members just *double* the return from their grapes which they used to receive before. In the same way other uses are likely to be discovered. Once a Bank is formed on the right principles and has grown sufficiently strong, there may be said to be no productive or remunerative uses for which it cannot provide the cash.

It will be well to bear in mind that union means strength outside the little circle of the Bank as well as in it. A number of Banks acting in concert—so long as they do not sacrifice their independence, and each one remains distinctly responsible for itself only, and standing, to use a popular

phrase, each 'upon its own bottom'—are well able to lend one another useful support. There can be no *affiliation*, or *fusion*, in the ordinary sense. If Banks decide to act in union, the Central Body ought, after a time at any rate, to be a *representative* body, as of a Federation, composed only in part of persons belonging exclusively to it, for the rest of elected delegates. A Central Body will be able to render appreciable service. It will be able to keep the Banks in touch with one another, and to guard against the creeping in of abuses and lax practices; it will help the Banks in respect of public opinion, it will be serviceable for common control and audit, it will generally intensify the good effect of co-operation. Once there are enough to combine to form a Central Bank, such union will ensure them additional advantages. They will be able to obtain money more easily and more cheaply, dispose more readily of their own surplus funds, and be able to co-operate for insurance, supply and other common work with very much greater ease.

However, the foundation of the system ought always to remain the independence of each individual Bank, sustained by its own members and kept strong and sound by the interest awakened and the *sense of responsibility quickened in every member.*

## RULES

OF THE

## VILLAGE BANK

OR

### AGRICULTURAL CREDIT SOCIETY

*For the use of Small Occupiers and Village Tradesmen.*

#### I.—NAME AND OBJECT OF THE SOCIETY

The Society shall be called the 'VILLAGE BANK [OR AGRICULTURAL CREDIT SOCIETY].' Its registered office is in England, and is at No. Street, . Its object is to create funds by monthly or other contributions, to be lent out to or invested for the Members of the Society, or for their benefit pursuant to the Statute 38 & 39 Vic., cap. 60, provided that every loan shall, in the opinion of the Society, hold out a sufficient prospect of repaying itself by the production, business or economy which it will enable the borrower to effect. The contribution to be payable by a Member to the Funds of the Society shall be a contribution equally with every other Member to any loan which a Member borrowing or his sureties fail to repay.

The Society shall not engage in any banking operation other than as implied in the foregoing statement of its objects, nor trade or speculate with the money in its hands, but shall confine itself strictly to the collection and lending of funds. These Rules bind the Society and the Members thereof, and all persons claiming through them respectively, to the same extent as if each Member had subscribed his name and affixed his seal thereto, and there were in the Rules contained a covenant on the part of himself, his heirs, executors and administrators to conform to the Rules, subject to the provisions of the Friendly Societies Acts.

#### II.—LEGAL POWERS AND OBLIGATIONS OF THE SOCIETY

The Society is subject to the provisions of the Friendly Societies Act, 1875, except so much thereof as relates to quinquennial returns and valuations (section 14, sub-section 1, e, f, and part of i); to certificates of death at a reduced cost (section 15, sub-section 9); to exemption from stamp duty (section 15, sub-section 2); to priority on the death, bankruptcy, &c., of officers (section 15, sub-section 7); to the membership of minors (section 15, sub-section 8); to copyholds (section 16, sub-section 6); to investments with the National Debt Commissioners (section 17); to loans on assurances on the life of members (section 18, sub-section 1); to the dissolution of friendly societies (section 25, sub-section 1, c, and sub-section 7); to militiamen and volunteers (section 26); to the limitation of benefits (section 27); and to payments on the death of children (section 28).

#### III.—MEMBERSHIP

Compliance with any of the following qualifications shall constitute Membership:—(1) Election by the Committee upon his own application of any resident in the Parish (es) of who is a householder, or of age and an occupier of land in the said Parish (es), and whose liability is not already pledged by Membership in a similar loan association; (2) Election by the Committee upon his own application of any person owning land in the said Parish (es), or (3) Acceptance as Member of any person who shall make himself responsible to the Society by the Guarantee of a certain sum in its favour. In the case of a Guarantor-Member the calling up of any contribution on the score of common liability (see Rule I) shall be deemed to be on account of his guarantee. No Member shall be capable of holding an interest in the funds exceeding £200.

#### IV.—RIGHTS AND LIABILITIES OF MEMBERS

Every person becoming a Member of the Society shall be entitled to obtain loans from the Society for specified and approved purposes within the limit prescribed, for such periods and at such interest as the Society may determine.

Membership furthermore entitles him to attend all General Meetings, in which the full powers of the Society are vested, and to give his vote in the election of the governing bodies and of officers of the Society. All moneys payable by a Member to the Society are deemed to be a debt due from such Member, and are recoverable as such in the County Court of the District in which such Member resides.

### V.—THE GENERAL MEETING

The supreme authority in the Society is vested in the General Meeting of Members of the Society, at which every Member has a right to attend and vote on all questions, every Member having one vote, whatever be his interest in the Society. The vote is to be exercised in person only, not by proxy. The General Meeting shall have power to decide any disputes arising within the Society and any questions affecting the interests of the Society, and to hear and adjudicate upon any appeals carried before it against decisions of any of the governing bodies. Its judgment shall in every case be final. An ordinary General Meeting of Members shall be held at least once every year. The first business of the Annual General Meeting shall be, to receive and consider the Balance Sheet and Accounts for the year, and, if these are found satisfactory, to approve them and give a discharge to the officers responsible. It shall next elect the Committee of Management and the Council of Control and Audit for the year and one or more Trustees, a Treasurer, and any other officer required to be appointed under the Act or under the Rules. It shall be for the General Meeting to fix the rates of interest alike for Deposits paid in and for Loans granted, to limit the power of the Committee, if that be deemed advisable, in respect of granting Loans or receiving Deposits, and also in respect of the length of time for which Loans may be granted by the Committee upon its own responsibility, to prescribe fines, not exceeding, if it so chooses, for non-attendance of Members at Meetings, and for infractions of the Rules. In cases in which such course may seem imperative in the interest of the Society, the General Meeting shall, on special notice given to all Members, also have power to suspend officers or members of governing bodies. In respect of fines and suspensions and rates of interest a special General Meeting shall

have the same power as the Annual General Meeting, provided that due notice be given in the summons to be issued at least a clear fortnight before the Meeting, and Special General Meetings shall also be entitled to fill up any vacancies which may have arisen in the appointments of officers or in either the Committee or the Council by New Elections for the current year only. It shall always be in the power of the Committee or the Council to call a Special General Meeting, and on a demand signed by not less than one-fifth of the number of Members, it shall be the duty of the Chairman of either of these bodies to do so.

### VI.—THE COMMITTEE

The current business of the Society shall be entrusted to a Committee of Management consisting of *five* Members, elected every year by the Members at the Annual General Meeting and re-eligible on the expiry of their term of office. The Committee shall have power to act on behalf of the Society within the limits laid down in these Rules, but shall be responsible for its acts to the General Meeting of Members. The Members of the Committee shall draw no salary or other remuneration. The Committee shall elect its own Chairman, who shall also preside at the General Meetings of the Society, and who shall in divisions have a casting vote. The Committee shall meet as often as the business of the Society may require and in any case at least once a month, three constituting a quorum, to receive the deposits paid in and deal with all applications for Membership and for Loans to hand at the time. At the close of every such sitting the Committee shall draw up a statement of accounts, showing the amount of loans outstanding, of deposits on hand, of the Reserve Fund, of fines paid, and all assets and liabilities of the Society, together with the number of Members. This statement shall be accessible to every Member. No Member of the Committee shall be allowed to vote on an application for a loan made by himself. The chairman may, and at the request of any two Members of the Committee shall, within a week from the time when the request is made, call an Extraordinary Meeting of the Committee to transact any extraordinary business.

It shall be the duty of the Committee at the close of its year of office to prepare a Balance Sheet and full Statement of

Accounts, showing all the financial transactions of the year, and all assets and liabilities, and it shall be the duty of the Chairman of the Committee to present such Balance Sheet and Statement to the General Meeting and report upon the business done.

It shall be the duty of the Committee of Management to provide the Secretary with a sufficient number of copies of the Rules, to enable him to deliver to any person on demand a copy of such Rules on payment of a sum not exceeding 1s for Non-Members, and 6d for Members, and of the Secretary to deliver such copies accordingly.—Friendly Societies Act, 1875, s. 13 (5).

The Committee of Management shall cause the accounts of the Society to be regularly entered in proper books.

The books and accounts of the Society shall be open to the inspection of any Member or person having an interest in the funds of the Society at all reasonable times, at the Registered Office of the Society, or at any place where the same are kept, and it shall be the duty of the Secretary to produce them for inspection accordingly [except that no such Member or person, unless he be an officer of the Society or be specially authorised by a resolution of the Society to do so, shall have the right to inspect the loan or deposit account of any other Member without the written consent of such Member].—Friendly Societies Act, 1875, s. 14 (1 g.).

Every year before the 1st June the Committee of Management shall cause the Secretary to send to the Registrar the annual return, in the form prescribed by the Chief Registrar of Friendly Societies, required by the Friendly Societies Act, 1875, of the receipts and expenditure, funds and effects of the Society, and of the number of Members of the same, up to the 31st December then last inclusively, as Audited and laid before a General Meeting, showing separately the expenditure in respect of the several objects of the Society, together with a copy of the Auditor's Report if any.

Such return shall state whether the Audit has been conducted by a Public Auditor appointed under the Friendly Societies Act, 1875, and by whom, and if such Audit has been conducted by any persons other than a Public Auditor, shall state the name, address, and calling or profession of each of such persons, and the manner in which, and the authority under which, they were respectively appointed.—Friendly Societies Act, 1875, s. 14 (1 d.).

It shall be the duty of the Committee of Management to provide the Secretary with a sufficient number of copies of the annual return, or of some balance sheet or other document duly audited containing the same particulars as in the annual return as to the receipts and expenditure, funds and effects of the Society, for supplying gratuitously every Member or person interested in the funds of the Society, on his application, with a copy of the last annual return of the Society, or of such balance sheet or other document as aforesaid, for the time being, and it shall be the duty of the Secretary to supply such gratuitous copies on application accordingly.—Friendly Societies Act, 1875, s. 14 (1 h.).

It shall be the duty of the Committee of Management to keep a copy of the last annual balance sheet of the Society for the time being, together with the report of the Auditors, if any, always hung up in a conspicuous place at the Registered Office of the Society.—Friendly Societies Act, 1875, s. 14 (1 i.).

A copy of every resolution appointing a Trustee shall be sent within 14 days to the Registrar in the form prescribed by the Treasury Regulations.

#### VII.—THE COUNCIL

In addition to the Committee there shall be a Council of Control consisting of at least *six* Members, who shall not be Members of the Committee, likewise elected annually by the Members at the General Meeting. The Council shall elect its own Chairman. Its Members shall receive no salary or remuneration. The Council shall have free access to all accounts, documents, minutes and other records of business done on behalf of the Society. It shall meet at least once every three months to audit the accounts, review the business transacted by the Committee, satisfy itself that all rules have been complied with, and discharge duties to be named hereafter. The Council shall annually report to the General Meeting, and may, in cases which appear to it to demand urgency, call an Extraordinary General Meeting to lay any matter before it.

#### VIII.—OFFICERS OF THE SOCIETY

The Committee may appoint a Secretary and also a Treasurer, who shall both be liable to dismissal by the same authority. The same person may discharge both offices, and

as Treasurer may, with the approval of the General Meeting, draw a salary. But the Treasurer shall not in any case be a Member either of the Committee or of the Council, nor have a vote affecting the disposal of money. At the discretion of the Committee, the Treasurer shall be required to find security or sureties.

#### IX.—ELECTION, RETIREMENT AND EXPULSION OF MEMBERS

Application for Membership shall be made to the Committee. In the event of the Committee refusing election an appeal shall lie to the next General Meeting. A Member may withdraw, upon three months' notice, provided that he has satisfied all claims in respect either of money or of suretyship which the Society may have against him, but such withdrawal shall not take effect in respect of the Member's liability to make contributions under Rule I until twelve months thereafter. A Member having, in the opinion of the Society, committed any action calculated to injure the Society, may, upon proper notice given to every Member, be expelled by Resolution of a General Meeting of Members summoned a fortnight before the day of meeting. A Member leaving the parish shall cease to be a Member of the Society upon discharging all claims which the Society may have against him. Members expelled from the Society, or retiring by leaving the parish or by notice shall lose their right of voting as soon as the expulsion or retirement takes effect, but shall remain liable for any claims which the Society may have against them.

#### X.—LOANS

Any Member desiring a Loan shall make his request in writing to the Committee, stating the object for which the Loan is required, the term for which it is asked, and also the security which he is prepared to offer. The Committee shall consider the application at its next Meeting, but shall be entitled to reserve its decision for enquiries. If satisfied of the trustworthiness of the applicant, of the sufficiency of the security offered, whether by surety only or by some additional pledge or guarantee, and of the profitability, by productive-

ness or saving, of the employment, it shall be empowered to grant the Loan, against note of hand or otherwise, and for any length of time which may appear to it requisite for the purpose, within the limits permitted by the General Meeting, provided always that Loans granted for periods longer than a year shall be repayable by regular instalments of equal amount. No Loan shall be granted for personal security exceeding £50, nor any loan, which, together with any moneys for the time being owing by the Member to the Society, shall exceed £50. In the event of a Loan being applied for of a larger figure or for a longer term than the General Meeting has given the Committee authority to agree to on its own responsibility, the Committee shall have power to refer the case to the Council (or the General Meeting) and with its sanction to grant the Loan. The Committee shall have power to secure the Society in respect of Loans granted in any manner which it may deem desirable under the circumstances, such as a stipulation that a beast or animal purchased with the money borrowed shall be insured in such Society as it may approve, and that the borrower shall be bound on every demand to satisfy the Society or its officers that the money borrowed has been employed in the way agreed upon, by producing the beast or article purchased, or supplying any other proof which the Society may hold to be sufficient. It shall be the duty of the Council to ascertain from time to time if the Rules here laid down have been complied with, to inquire into the position of borrowers and their sureties, alike as regards solvency and trustworthiness, and to satisfy itself if the assets of the Society continue good. Should it find that the security has deteriorated in respect of any claim against a Member, it shall be its duty at once to call for additional security, and, if that be not forthcoming, to report the case to the General Meeting or else to call in the Loan without delay and secure the Society in such way as it may find practicable. More particularly shall it be the duty of the Council to satisfy itself by means of the powers referred to above, that Loans granted to Members are employed in the manner agreed upon, and should it find that this is not the case, it is at once to demand repayment of the entire Loan, with all interest due, within four weeks, making the sureties answerable, if necessary, or satisfying itself from the security in its possession. Borrowers shall in any case be required to pay interest punctually at the periods fixed, and shall be

punishable for any default in respect either of interest or of principal, with a fine not exceeding \_\_\_\_\_, to be fixed by the General Meeting, and upon such default may, at the discretion of the Committee (subject to an appeal to the Council), be required forthwith to repay the Loan. In cases of repeated defaults the Council shall have power to move to the expulsion of the defaulting Member under Rule IX.

#### XI.—RESERVE FUND

The entire surplus accruing after defrayal of expenses shall be carried to Reserve, which Reserve shall not in any case become divisible among Members. The Reserve Fund shall, however, be available, if the General Meeting so decide by special resolution, due notice being given to every Member at least a clear fortnight before, for making good deficits which may occur.

#### XII.—DEPOSITS

The Society shall have power to receive Deposits from Members not exceeding two-thirds of the total sum for the time being owing to the Society by Members who have borrowed, and pay interest upon them at such rates as the General Meeting shall authorise. It shall not, however, be held obliged to receive Deposits. With respect to the names of Depositors and the amount deposited by each of them, the Members of the Society having access to these accounts shall be held pledged to absolute secrecy under penalty of a fine to be fixed by the General Meeting, not exceeding \_\_\_\_\_

#### XIII.—PROPERTY OF THE SOCIETY

The Trustee or Trustees shall be entitled to invest any money belonging to the Society, which is not required for Loans, in such of the following manners as the General Meeting shall sanction:

Deposits in the Post Office Savings' Banks; Public Funds; Government Securities in Great Britain or India or the Colonies; Debentures or other Securities of any Company incorporated by Charter or Act of Parliament, and paying dividend; or all Bonds or effects issued upon the security of any County, Borough, Parish Council, on Rates, authorised to be levied and mortgaged by Act of Parliament.

#### XIV.—AUDIT OF ACCOUNTS

The Committee of Management shall once at least in every year submit the Accounts, together with a general statement of the same and all necessary vouchers up to the 31st December then last, for Audit, either to one of the Public Auditors appointed under the Friendly Societies Act, 1875, or to two or more persons appointed as Auditors by the Members at the Meeting next before each yearly Meeting of the Society, and shall lay before every such Meeting a Balance Sheet (which either may or may not be identical with the Annual Return but must not be in contradiction to the same), showing the receipts and expenditure, funds, and effects of the Society, together with a Statement of the affairs of the Society since the last Ordinary Meeting, and of their then condition. Such Auditors shall have access to all the books and accounts of the Society, and shall examine every Balance Sheet and Annual Return of the receipts and expenditure, funds and effects of the Society, and shall verify the same with the accounts and vouchers relating thereto, and shall either sign the same as found by them to be correct, duly vouched, and in accordance with law, or shall specially report to the Meeting of the Society before which the same is laid in what respects they find it incorrect, unvouched, or not in accordance with law.—Friendly Societies' Act, 1875, 14 (1 c.).

Such duties of audit may, by vote of the General Meeting, be entrusted to the Council of Control or else to other Auditors specially appointed as an additional checking body.

#### XV.—ALTERATION OF RULES

It shall be within the power only of a General Meeting of Members specially called, with notice of a proposal given at least a fortnight before, to alter the above Rules in any particular, and only by a vote of three-fourths of all the Members belonging to the Society. No amendment of Rules is valid until registered.

#### XVI.—DISSOLUTION OF THE SOCIETY

The Society may at any time be dissolved by the consent of three-fourths of the Members, including Honorary Members, if any, testified by their signatures to some instrument of dissolution in the form provided by the Treasury Regulations in that behalf.



## APPENDIX

### OPTIONAL RULES \*

#### ENTRANCE FEE

Every Member shall within \_\_\_\_\_ weeks from his election pay to the Treasurer as a contribution to the Society's Funds an Entrance Fee of \_\_\_\_\_, which shall become the absolute property of the Society and not be returnable to the Member in any case. New Members shall not be entitled to exercise any rights under the Society's Rules until the Entrance Fee is paid.

#### SHARES

Every Member on being elected shall take up a share in the Society's Funds to the amount of \_\_\_\_\_, which amount he shall be allowed at his option to pay in one sum or else in weekly instalments of \_\_\_\_\_, within the space of \_\_\_\_\_ weeks. No dividend or other payment shall be paid to the Members in respect of such share. Every Member shall be entitled to hold one share only, the price paid for which shall be returnable in the event of his retirement or expulsion, or in the event of his death.

#### SOCIETY MONEYS

At the conclusion of every Committee Meeting it shall be the duty of the Treasurer to hand over the cash remaining in his hands, beyond a minimum amount of \_\_\_\_\_ to the Trustee, or one of the Trustees, or some Member of the Committee appointed to act on their behalf, or else that he shall deposit the amount in the account of the Trustees at the Post Office Savings Bank.

\* Entrance Fees and Shares are not necessary, nor is their adoption particularly recommended. They are, however, permissible. The following two Rules are suggested for the use of such Societies as may decide to adopt them, or one or other of them. The substance of the third Rule may be adopted simply by resolution. It is a matter of practice rather than of principle. Wherever its embodiment in the Rules, as a standing direction to the Treasurer, appears calculated to create among members a greater feeling of confidence and security in respect of the safe keeping of their moneys, it may be well to adopt the Rule.

### APPLICATION FOR A LOAN

I desire to borrow from the \_\_\_\_\_ Village Bank (Agricultural Credit Society) the sum of £ \_\_\_\_\_ for the space of \_\_\_\_\_, the money to be employed in \_\_\_\_\_.

I agree to abide by the regulations which the Society may lay down and offer as security (the two sureties hereinafter named) \_\_\_\_\_.

I desire to have the money by \_\_\_\_\_

\_\_\_\_\_ Name

We, the undersigned, are willing to become sureties for \_\_\_\_\_ in respect of a loan for the space of \_\_\_\_\_ not exceeding £ \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ } Names

### BORROWER'S BOND FOR A LOAN

The borrower and his sureties ought, on receiving a loan, to be made to subscribe their names to one or other of the following forms of Bond or Agreement, or some undertaking similar to these. The first form is a strictly legal form, drawn up by a solicitor. The second will probably answer its purpose equally well.

(A.) I \_\_\_\_\_

of \_\_\_\_\_

[ \_\_\_\_\_ ] a Member of the \_\_\_\_\_ Village Bank (Agricultural Credit Society), hereby acknowledge that I have received from the said Society a loan of £ \_\_\_\_\_ upon the representations, terms and conditions following:—

1. I have represented and do hereby represent that the said loan is required for, and I promise and agree that the same shall be expended directly, solely and exclusively in [the purchase of]

and do hereby acknowledge that the said loan has been made to me on the faith of such representation promise and agreement.

I further undertake promise and agree

2. To give to the said Society within        days after demand thereof, such proof as may be reasonably required by them of the employment of the said loan in accordance with this Agreement and if required so to do to produce to them the said

3. To forthwith insure the said  
in the sum of £        in the        Insurance  
Society and to pay the premiums in respect thereof on or before the due days and to forthwith deliver to the said Society the Policy and receipts for such insurance. If the said insurance be not duly effected and paid, or the policy or receipts not duly handed over, the said Society shall be at liberty to effect an insurance or to pay such premiums and to add the amount paid to the loan, subject to the penalties that the Society may have imposed or may impose upon such neglect by resolution of the General Meeting.

4. The said loan in accordance with the Rules of the said Society shall be repaid on        18        or by        instalments of £        each, the first instalment to be paid on

5. The interest is to be paid quarterly at the first ordinary meeting of the Committee held severally in the months of        and       , at the rate fixed by the Society for all loans, and subject to the penalties set down in the Rules of the said Society.

6. I agree to be bound by, and to observe and perform in every respect the Rules of the said Society which are now in force, or which may from time to time be in force, and which shall be deemed to be incorporated in this Agreement.

Dated this

189

Witness to }  
Signature of }

We

of  
and  
of

hereby bind ourselves jointly and severally to the Village Bank (Agricultural Credit Society) in respect of the loan mentioned in the above written Agreement.

(1) for its due employment in accordance therewith and  
(2) for its repayment with interest as mentioned in the said Agreement and the Rules of the said Society.

Dated this

189

Witness to }  
Signature of }

#### FORM OF BOND FOR LOAN

(B.) I acknowledge having received from the        Village  
Bank (Agricultural Credit Society) a loan of £        for  
the space of        (to be repaid in instalments of £         
each every        months, beginning on       ), and to  
be employed in       . I engage to employ the  
loan in the manner agreed upon, under the penalty fixed in the  
Society's Rules, and to give the said Society or its representatives  
every facility to satisfy itself on this point whensoever it may re-  
quire, undertaking to produce the beast or article named, or to  
afford other proof which may be deemed satisfactory. I also  
engage to insure the        in the sum of £        in the  
Insurance Society and to pay the premiums at  
the required times. I engage to pay the interest on the loan  
promptly at the times fixed, and to repay the principal on the  
days named.

\_\_\_\_\_ Name

We, the undersigned, hereby declare that we become surety to  
the        Village Bank (Agricultural Credit Society)  
in respect of the loan above referred to, and of its employment  
under the conditions named, and make ourselves answerable,  
jointly and severally, for the repayment of the loan with interest  
within the period stated.

\_\_\_\_\_ Name

# VILLAGE BANK

FORTNIGHTLY BALANCE SHEET, No. ,

189

## ACCOUNTS FOR THE FORTNIGHT ENDING

RECEIVED				PAID			
	£	s.	d.		£	s.	d.
Deposits				Deposits Repaid			
Savings				Savings Repaid			
Advances from Guarantee Fund				Advances Repaid			
				Loans Issued			
Loans Repaid				Paid into P. O. Savings Bank			
Interest on Loans				Carried to Reserve			
Drawn from Reserve				Invested			
Fines				Salaries			
Sundries				Working Expenses			
				Sundries			
Total Received				Total paid			
Balance				Balance			

NUMBER OF MEMBERS :

## ASSETS AND LIABILITIES

ASSETS				LIABILITIES			
	£	s.	d.		£	s.	d.
Cash in Hand				Deposits in Hand			
Funds Invested				Savings do.			
Money in P. O. Savings Bank				Approximate Interest Due			
Loans Outstanding				Owing to			
Approximate Interest thereon							
Fixed Stock							
Reserve Fund							
Balance				Balance			

UNEXHAUSTED GUARANTEE FUND :

## DEPOSITS AND LOANS ACCOUNT FOR THE YEAR

DEPOSITS				LOANS			
	Deposits				Savings		
	£	s.	d.		£	s.	d.
Carried over on				Outstanding on			
Received since				Issued since			
Withdrawn				Repaid			
Remaining in				Balance outstanding			
Bank							

, Chairman

, Treasurer

## RECEIVED

[illegible]

BOOK

## PAID

[illegible]

be desired to show the Working Expenses as a separate item, an extra column may be added on the 'Paid' side. If the columns should appear too many, Deposits and Savings may be classed together or Interest may be put into the same column with Loans.

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